

# NATIONAL DIGITAL LIBRARY TRUST FUND

## STATEMENT OF FINANCIAL POSITION

September 30, 2000

### **ASSETS**

Cash	\$	351,951
Investments (Note 2)		15,186,583
Receivables:		
Pledges (Note 3)		4,655,885
Accrued interest		109,036
Accounts		897
Total Receivables		<u>4,765,818</u>
Operating Materials and Supplies		<u>45</u>
<b>Total assets</b>	<b>\$</b>	<b><u><u>20,304,397</u></u></b>

### **LIABILITIES AND NET ASSETS**

Accounts payable	\$	125,313
Accrued payroll and annual leave		<u>179,384</u>
<b>Total liabilities</b>		<u>304,697</u>

### **NET ASSETS (Note 4)**

Temporarily Restricted		<u>19,999,700</u>
<b>Total liabilities and net assets</b>	<b>\$</b>	<b><u><u>20,304,397</u></u></b>

The accompanying notes are an integral part of these financial statements.

# NATIONAL DIGITAL LIBRARY TRUST FUND

## STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2000

### **CHANGES IN UNRESTRICTED NET ASSETS**

#### **REVENUE**

Imputed financing sources (Note 6)	\$ 112,848
Interest	888,142
Net assets released from restrictions	<u>4,526,923</u>
<b>Total revenue</b>	<u>5,527,913</u>

#### **EXPENSES**

Personnel costs	2,954,386
Digitizing and other services	1,327,410
Professional and consultant services	843,926
Awards to other archival institutions (Ameritech)	143,877
Printing, publishing, and photoduplicating	72,563
Travel and transportation	65,455
Non-capitalized equipment	37,230
Office supplies	28,216
Computer software	21,652
Entertainment	13,370
Services of the Library and other agencies	10,000
Rental	6,000
Books and library materials	2,051
Postage	1,542
Tuition and training	<u>235</u>
<b>Total expenses</b>	<u>5,527,913</u>

### **CHANGES IN TEMPORARILY RESTRICTED NET ASSETS**

Donations (Note 5)	947,505
Net assets released from restrictions	<u>(4,526,923)</u>
<b>Changes in Temporarily Restricted Net Assets</b>	<u>(3,579,418)</u>

**Decrease in Net Assets** (3,579,418)

**Net Assets at Beginning of year** 23,579,118

**Net Assets at End of year** \$ 19,999,700

The accompanying notes are an integral part of these financial statements.

**NATIONAL DIGITAL LIBRARY TRUST FUND**  
**STATEMENT OF CASH FLOWS**  
For the Fiscal Year Ended September 30, 2000

Cash flows from operating activities:	
Donations Received	\$ 2,281,450
Interest Received	928,295
Cash paid to others	(2,765,313)
Cash paid to employees	(2,806,552)
<b>Net cash used by operating activities</b>	<b>\$ <u>(2,362,120)</u></b>
Cash flows from investing activities:	
Investment in U.S. Treasury Market- Based Securities	\$ (3,502,625)
Investment in U.S. Treasury Permanent Loan	(709,107)
Redemption of Investment in U.S. Treasury Market Based Securities	6,708,492
Redemption of Investment in U.S. Treasury Permanent Loan	73,014
<b>Net cash provided by investing activities</b>	<b>\$ <u>2,569,774</u></b>
<b>Net Increase in Cash</b>	<b>207,654</b>
<b>Cash at beginning of year</b>	<b><u>144,297</u></b>
<b>Cash at end of year</b>	<b>\$ <u><u>351,951</u></u></b>
Reconciliation of Changes in Net Assets to Net Cash Used by Operating Activities	
<b>Change in Net Assets</b>	<b>\$ (3,579,418)</b>
Adjustments to reconcile changes in net assets to net cash provided from operating activities	
Decrease in pledges receivables (Note 3)	1,333,945
Increase in accounts receivables	(848)
Decrease in accrued interest receivables	40,153
Increase in accrued payroll and annual leave	34,986
Decrease in accounts payable	(191,018)
Decrease in operating materials & supplies	80
<b>Total Adjustments</b>	<b>1,217,298</b>
<b>Net Cash Used by Operating Activities</b>	<b>\$ <u><u>(2,362,120)</u></u></b>

The accompanying notes are an integral part of these financial statements.

**NATIONAL DIGITAL LIBRARY TRUST FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**September 30, 2000**

**NOTE 1 - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

**A. DESCRIPTION OF FUND**

The National Digital Library Trust Fund (NDLTF) supports the mission and strategic objectives of the National Digital Library program (NDLP). The program is a public-private partnership created to digitize American history and cultural materials, to build a broad-based national coalition of digital archives and libraries, to provide access to electronic materials, to develop a catalog for electronic materials, to promote standards and practices for the use of digital materials, and to provide other related future services. The NDLP, when completed, will be an unsurpassed on-line resource for the study of American history and culture. Making priceless treasures of American history accessible to all Americans in their own local communities is central to the Library's goal of enriching education in America and widening access to the documentary record of America's knowledge and creativity.

The National Digital Library Trust Fund consists of the following sub-accounts:

- NDLP General Trust
- Scott Trust
- Kellogg Trust
- Ameritech Trust
- McCormick Tribune Trust
- Koch Foundation Trust
- Mellon Foundation Trust
- Microsoft Trust
- Pew Charitable Trust
- Hewlett Foundation Trust

The NDLTF is the primary private sector source of funding for the NDLP. The program also receives funding from appropriated funds, a gift fund, and an endowment fund.

The NDLTF was approved by the Library of Congress Trust Fund Board and the Joint Committee on the Library in September 1994 and operates on a fiscal year beginning October 1 and ending September 30.

Significant accounting policies followed by the NDLTF are presented below.

## **B. BASIS OF PRESENTATION**

The NDLTF's financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles.

The NDLTF adopted financial reporting standards applicable to not-for-profit organizations. The financial statements are prepared in accordance with Financial Accounting Standards No. 117, and recognize net assets based on the existence of applicable restrictions limiting their use.

Temporarily restricted net assets result from donor-imposed restrictions that permit the Fund to use or expend the assets after the restriction has been satisfied. When a donor-imposed restriction is satisfied, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Unrestricted net assets result from the expiration of donor-imposed restrictions on contributions. These assets are available to the Fund for us in support of current operations. The Library of Congress provides support services to the NDLTF and the cost of these services are, by their nature, indirect, difficult to quantify, and financed with appropriated funds of the library. To the extent that these services are provided, they are not considered operating expenses of the NDLTF.

## **C. USE OF ESTIMATES**

The preparation of the NDLTF's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

## **D. DONATIONS AND REVENUE RECOGNITION**

The NDLTF records as donation revenue amounts received in the form of cash, promises or pledges to give. All donations are temporarily restricted for the purpose of the NDLTF and are not available for the support of general Library activities. Unconditional promises or pledges to give are recognized as a pledges receivable. Multi-year pledges or promises due over a period of time are discounted to their present value, based upon prevailing interest rates, and recognized in the period of initial pledge.

## **E. CAPITAL ASSETS**

The financial statements do not include capital assets which are purchased for the Library of Congress and other funds. Capital assets are expensed when purchased and ownership is transferred to the Library of Congress.

## F. INCOME TAX

The NDLTf operates for the benefit of the Library of Congress which is an instrument of the United States and, as such, is not subject to income tax.

## G. INVESTMENT POLICY

The Library of Congress Trust Fund Board determines the investment policy for the Library's trust funds. NDLTf are invested in a pool of U.S. Treasury market-based securities.

Investments in U.S. Treasury market-based securities are stated at cost net of any unamortized premium or discount, which approximates market value at September 30, 2000.

## NOTE 2 - INVESTMENTS

The NDLTf invests in U.S. Treasury short-term securities. Investments consisted of the following:

Investment	Par	Unamortized Premium	Unamortized Discount	Amortized Costs
NDL General Trust	\$13,336,055	\$206,888	\$ 39,595	\$ 13,503,348
Scott Trust *	153,322	2,519	482	155,359
Kellogg Trust	161,864	2,659	509	164,014
Ameritech Trust	249,491	4,098	784	252,805
McCormick Tribune Trust	553,650	9,095	1,741	561,004
Koch Foundation Trust	69,857	1,148	220	70,785
Mellon Foundation Trust	51,192	841	161	51,872
Microsoft Trust	6,137	101	19	6,219
Pew Charitable Trust	391,135	6,425	1,230	396,330
Hewlett Foundation Trust	24,521	403	77	24,847
Total Trusts	\$14,997,224	\$ 234,177	\$ 44,818	\$15,186,583

\* The investments are accrued in the General Trust Fund

### **NOTE 3 - PLEDGES**

Contributions of unconditional promises to give (pledges) to the NDLTF are recognized as revenue in the period received. They are recorded at their present value using a market discount rate. Accretion of the discount in subsequent years is also recorded as revenue. Outstanding pledges of \$ 5,250,000 at September 30, 2000, were discounted through fiscal year 2004 at a market discount rate and are included in the statement of financial position at their discounted present value of \$ 4,655,885. The amounts due in future years at their current discounted value are: \$ 2,375,773 in fiscal 2001; \$ 645,612 in fiscal 2002; \$ 840,300 in fiscal 2003; and \$ 794,200 in fiscal 2004.

### **NOTE 4 - NET ASSETS**

Net assets includes undelivered orders of \$ 963,636 which are funds that have been obligated for goods and services not yet received for NDLTF operations and designated projects. All assets are temporarily restricted for the purpose of supporting the objectives of the National Digital Library Program.

### **NOTE 5 - DONATIONS**

The NDLTF donations excludes a grant from the Ford Foundation of \$500,000 in support of the National Digital Library received as a gift fund and an endowment from the Harissios Papamarkou Chair in Education Fund.

### **NOTE 6 - IMPUTED FINANCING FOR COST SUBSIDIES**

An adjustment of \$112,848 was recorded as an imputed financing source and a corresponding expense in the accompanying financial statements. This adjustment recognizes the full cost of pensions and other health and life insurance benefits during the employee's active years of service.

### **NOTE 7 - RETIREMENT PLANS**

Employees of the NDLTF participate in two different retirement plans. Civil Service employees participate in the Civil Service Retirement System (CSRS) or the Federal employees' Retirement System (FERS). FERS is the system in effect for most employees hired after December 31, 1983.

In fiscal 2000, the NDLTF paid approximately \$ 214,337 to fund retirement benefits, excluding FICA Taxes.

**NOTE 8 - EXPENSES BY FUNCTIONAL CLASSIFICATION**

As permitted by Financial Accounting Standards No. 117, the NDLTF has elected to present its operating expenses by natural classification in its Statement of Activities for the fiscal year ended September 30, 2000. The functional breakdown of these expenses is as follows:

National Digital Library Program	\$ 5,457,578
Fund-raising	<u>70,335</u>
Total Expenses	\$ 5,527,913

**NATIONAL DIGITAL LIBRARY TRUST FUND  
CONSOLIDATING SCHEDULE OF ACTIVITIES**

For the Fiscal Year Ended September 30, 2000

	<b>NDL General Trust</b>	<b>Scott Trust</b>	<b>Kellogg Trust</b>	<b>Ameritech Trust</b>	<b>McCormick Tribune Trust</b>	<b>Koch Foundation Trust</b>	<b>Mellon Foundation Trust</b>	<b>Microsoft Trust</b>	<b>Pew Charitable Trust</b>	<b>Hewlett Foundation Trust</b>	<b>Combined</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>													
<b>REVENUE</b>													
Imputed financing sources (Note 6)	\$ 95,031	\$ 17,817	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 112,848	\$ -	\$ 112,848
Interest	798,838	-	-	16,867	54,477	4,095	2,694	-	11,171	-	888,142	-	888,142
Net assets released from restrictions	<u>2,712,840</u>	<u>644,929</u>	<u>43,972</u>	<u>127,020</u>	<u>544,510</u>	<u>40,121</u>	<u>-</u>	<u>9,000</u>	<u>263,766</u>	<u>143,459</u>	<u>4,529,617</u>	<u>(2,694)</u>	<u>4,526,923</u>
<b>Total revenue</b>	<u>3,606,709</u>	<u>662,746</u>	<u>43,972</u>	<u>143,887</u>	<u>598,987</u>	<u>44,216</u>	<u>2,694</u>	<u>9,000</u>	<u>274,937</u>	<u>143,459</u>	<u>5,530,607</u>	<u>(2,694)</u>	<u>5,527,913</u>
<b>EXPENSES</b>													
Personnel costs	2,553,736	400,650	-	-	-	-	-	-	-	-	2,954,386	-	2,954,386
Digitizing and other services	253,748	1,254	45,418	-	598,987	9,607	-	-	274,937	143,459	1,327,410	-	1,327,410
Professional and consultant services	653,126	189,556	(1,446)	-	-	2,690	-	-	-	-	843,926	-	843,926
Awards to other archival institutions (Ameritech)	-	-	-	143,877	-	-	-	-	-	-	143,877	-	143,877
Printing, publishing, and photoduplicating	65,585	3,373	-	-	-	3,605	-	-	-	-	72,563	-	72,563
Travel and transportation	18,010	22,991	-	-	-	24,454	-	-	-	-	65,455	-	65,455
Non-capitalized equipment	11,267	15,040	-	-	-	1,923	-	9,000	-	-	37,230	-	37,230
Office supplies	25,185	1,526	-	-	-	1,505	-	-	-	-	28,216	-	28,216
Computer software	10,178	11,299	-	-	-	175	-	-	-	-	21,652	-	21,652
Entertainment	2,078	11,057	-	-	-	235	-	-	-	-	13,370	-	13,370
Services of the Library and other agencies	10,000	-	-	-	-	-	-	-	-	-	10,000	-	10,000
Rental	-	6,000	-	-	-	-	-	-	-	-	6,000	-	6,000
Books and library materials	2,029	-	-	-	-	22	-	-	-	-	2,051	-	2,051
Postage	1,532	-	-	10	-	-	-	-	-	-	1,542	-	1,542
Tuition and training	235	-	-	-	-	-	-	-	-	-	235	-	235
<b>Total expenses</b>	<u>3,606,709</u>	<u>662,746</u>	<u>43,972</u>	<u>143,887</u>	<u>598,987</u>	<u>44,216</u>	<u>-</u>	<u>9,000</u>	<u>274,937</u>	<u>143,459</u>	<u>5,527,913</u>	<u>-</u>	<u>5,527,913</u>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,694</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,694</b>	<b>(2,694)</b>	<b>-</b>
<b>CHANGES IN TEMPORARY RESTRICTED NET ASSETS</b>													
Donations (Note 5)	254,059	672,975	-	-	-	-	-	-	20,471	-	947,505	-	947,505
Net assets released from restrictions	<u>(2,712,840)</u>	<u>(644,929)</u>	<u>(43,972)</u>	<u>(127,020)</u>	<u>(544,510)</u>	<u>(40,121)</u>	<u>-</u>	<u>(9,000)</u>	<u>(263,766)</u>	<u>(143,459)</u>	<u>(4,529,617)</u>	<u>2,694</u>	<u>(4,526,923)</u>
<b>Changes in Temporary Restricted Net Assets</b>	<u>(2,458,781)</u>	<u>28,046</u>	<u>(43,972)</u>	<u>(127,020)</u>	<u>(544,510)</u>	<u>(40,121)</u>	<u>-</u>	<u>(9,000)</u>	<u>(243,295)</u>	<u>(143,459)</u>	<u>(3,582,112)</u>	<u>2,694</u>	<u>(3,579,418)</u>
<b>Increase (Decrease) in Net Assets</b>	<u>(2,458,781)</u>	<u>28,046</u>	<u>(43,972)</u>	<u>(127,020)</u>	<u>(544,510)</u>	<u>(40,121)</u>	<u>2,694</u>	<u>(9,000)</u>	<u>(243,295)</u>	<u>(143,459)</u>	<u>(3,579,418)</u>	<u>-</u>	<u>(3,579,418)</u>
<b>Net Assets at Beginning of Year</b>	<u>20,144,635</u>	<u>767,731</u>	<u>211,787</u>	<u>385,684</u>	<u>1,087,046</u>	<u>109,311</u>	<u>50,380</u>	<u>15,363</u>	<u>639,342</u>	<u>167,839</u>	<u>23,579,118</u>	<u>-</u>	<u>23,579,118</u>
<b>Net Assets at End of Year</b>	<u>\$ 17,685,854</u>	<u>\$ 795,777</u>	<u>\$ 167,815</u>	<u>\$ 258,664</u>	<u>\$ 542,536</u>	<u>\$ 69,190</u>	<u>\$ 53,074</u>	<u>\$ 6,363</u>	<u>\$ 396,047</u>	<u>\$ 24,380</u>	<u>\$ 19,999,700</u>	<u>\$ -</u>	<u>\$ 19,999,700</u>